

April 4, 2007

The Honorable Members of the Board of Supervisors  
County of Culpeper  
302 North Main Street  
Culpeper, VA 22701

Dear Members of the Board:

I am pleased to submit the attached 2007-2008 Annual Fiscal Plan for the County of Culpeper. Included are my recommendations for Schools and General Government.

This budget represents the culmination of a great deal of effort on the part of our staff and was assembled with input from our County Agencies. We believe the format of this budget document serves the information needs of our citizens by providing complete and accurate information about our budget.

Again in this fiscal year 2008 budget, as has been past practice, due to the implementation of GASB 34 as the new reporting model, projects that in the past have been part of the County's CIP, are now within those enterprise funds with which they relate.

## **GOALS AND OBJECTIVES**

### **Budget:**

- ◆ As started as practice during the preparation of the FY06 budget, and continued with the FY07 and now FY08 budget, county departments were asked to "zero-base" their budget submissions. This means all departments are continually asked to zero out and justify all individual line items in their budget to verify real needs.
- ◆ Maintain a reasonable County tax structure by effectively and responsibly balancing the increasing demands for services with available resources to achieve maximum value for Culpeper County residents;

### **Long Term (non-financial):**

- ◆ Develop a strategic plan to improve government and enhance the quality of life for our citizens;
- ◆ Promote economic development through a proactive strategy of infrastructure improvement and industry recruitment and retention to provide quality jobs and a diversified tax base;

- ◆ Facilitate the development of a quality educational environment that provides for high quality educational and job readiness skills for all Culpeper County residents.
- ◆ Continue to promote the development of an accountable, responsive local government with demonstrated efficiency and effectiveness.

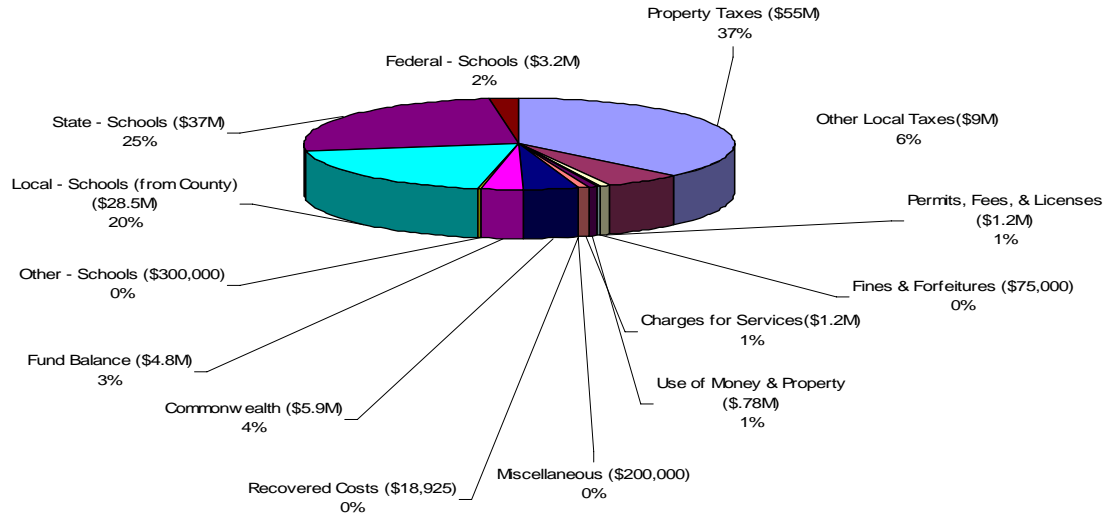
### **TAX RATES AND FEES**

Because of the general reassessment the total value of real property, excluding additional assessments due to new construction or improvements to property, exceeds last year's total assessed value by seventy-three (72.7%) percent. This assessment increase then required a lower tax rate to offset the increased assessment. This resulted in a lowered tax rate or equalization rate of \$.52. This budget increases the current real estate tax rate of \$0.52 per \$100 of assessed value to \$0.59 per \$100 of assessed value, an increase of 7 cents. This increase is necessary for the additional operating costs requested by the School Board, as well as in the area of Public Safety. This year's budget also equalized the fire/rescue tax implemented in FY05 at \$.04 per \$100 of assessed value for real estate. This year's budget submission maintains the current personal property tax rate of \$2.50 for recreational personal property; \$3.50 per \$100 of assessed value for all other personal property, except for the classification of airplanes which rate is maintained at \$.63.

### **TOTAL REVENUES**

The fiscal year 2008 total revenues are shown below. Major sources include property tax, sales tax, utility tax and funds from the Commonwealth of Virginia.

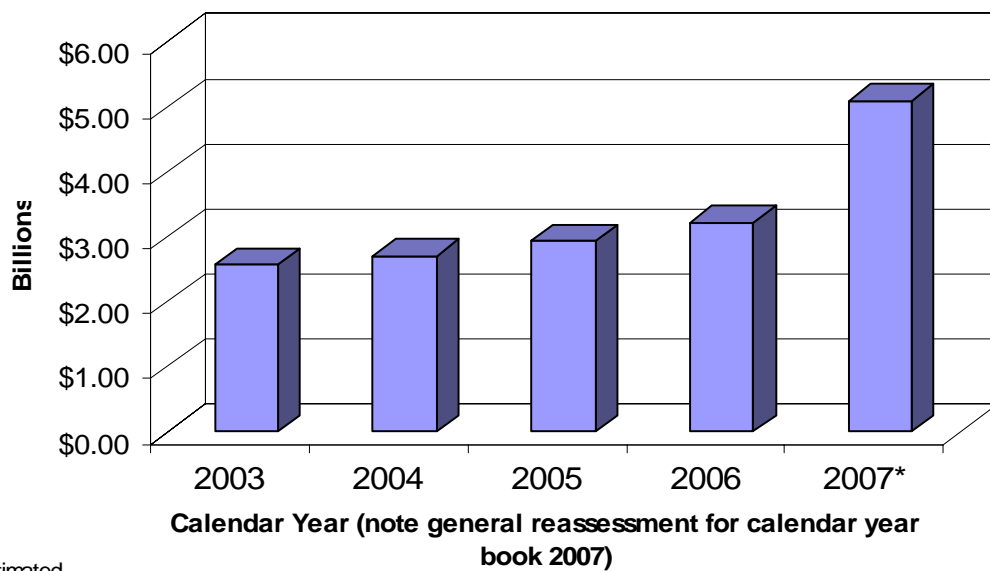
### FY08 General Fund and School Operating Fund Revenues



The following table reflects budgeted and projected growth rates for the major revenues.

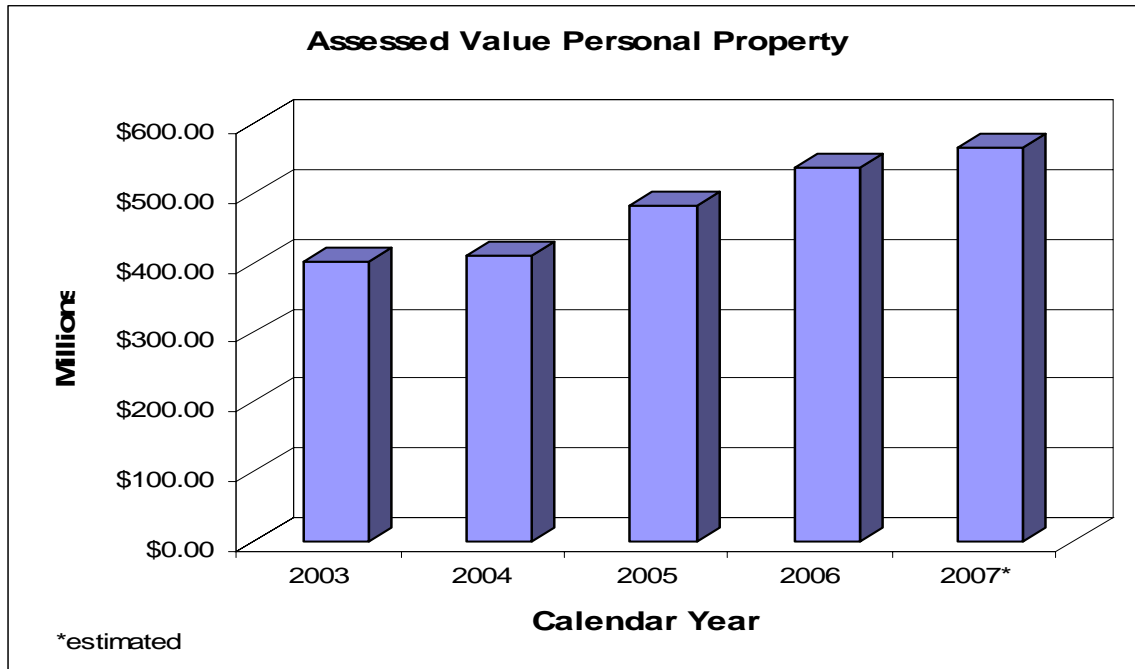
Major Revenue Sources	FY07 Projected Growth Rates	FY08 Projected Growth Rates
Property Tax	16.83%	19.00%
Sales Tax	10.00%	(5.77%)
Commonwealth of Virginia	6.28%	6.64%

### Assessed Value Real Estate



\*estimated

Real property taxes are shown in the property tax section in the graph above, and are projected to increase by 7 percent, without regard to reassessment, and will constitute 51.86 percent of the County's revenues for fiscal year 2008. The rate of increase reflects the continued growth in the County. The overall value of real property in the County (excluding public service corporations) increased from \$3.23 billion to \$5.10 billion as of January 1, 2006, due to general reassessment. For calendar year 2007, an estimated 7 percent in total growth in the tax base is projected. The budget is predicated on increasing the total real estate tax rate from the equalized rate of \$.52 per \$100 of assessed value to \$.59 per \$100 of assessed value for fiscal year 2007-2008.



Personal property tax is levied on the tangible property of individuals and businesses. For individuals, this is primarily associated with automobiles. For businesses, examples include motor vehicles, machines, fixtures and tools.

In calendar year 2005, the assessed value of personal property in the County totaled \$481.36 million. This increased 11.28 percent to \$535.65 million in calendar year 2006. In calendar year 2006, personal property vehicles made up 56 percent of the total personal property value; the remainder was business tangible property, recreational personal property, and machinery and tools, comprising 44 percent.

The fiscal year 2008 estimate of this revenue is based on an increasing value of assessed property but maintaining the current tax rate increase of \$2.50 per \$100 of assessed value for recreational personal property and \$3.50 per \$100 of assessed value for all classes of personal property, excluding airplanes. The revenue generated from the personal property tax increase in FY07 was, and will continue to be used to offset additional debt for the new high school in fiscal year 2008 and future years.

**Local Sales Tax** - This revenue is projected to decrease by 5.77 percent due to a decrease in retail sales. The amount of retail sales has begun to decrease as the economy has slowed.

### **SPECIAL REVENUE FUNDS**

**Piedmont Tech Fund** – This fund has projected revenues totaling \$25,000 from charges for rent. The County's General Fund will contribute \$328,270.

**Human Services Fund** - The revenues total \$10,516,194 and are primarily State and federal aid to Social Services programs with matching funds of \$1,292,787 from the County. In addition to the operations of the Social Services Department, this fund also accounts for the operations of the Day Care center, as well as various grants. With the reduction of federal aid for the Day Care program, the Department of Human Services will be forced to increase day care fees in order to maintain the program as it exists.

**E911 Fund** - This fund will have projected E911 tax revenues totaling \$1,061,573. Also, the County's General Fund contributes \$612,840, the Town of Culpeper contributes \$158,256 and the Commonwealth of Virginia contributes \$139,756 for total revenue of \$1,972,425.

### **ENTERPRISE FUNDS**

**Airport Fund** - These revenues are estimated at \$798,680. This is based primarily on the rental of hangars, sale of aviation fuel and maintenance grants from the Virginia Department of Aviation. Due to the implementation of GASB 34, the airport fund is now considered an enterprise fund instead of a special revenue fund. Further, because of GASB 34, capital improvement projects related to the airport are now budgeted within the airport fund as opposed to the county CIP fund. The projects for fiscal year 2008 are the airport terminal facility construction, airport terminal landside construction and an archaeological study. The state will reimburse a substantial amount of the costs related to all of these projects. Therefore an estimate of \$1,410,500 from the Commonwealth of Virginia has been budgeted as well as \$832,500 from the federal government, and the County's General Fund will contribute funding in the amount of \$343,372 for operations and the County's share of capital needs at the airport.

**Landfill Fund** – The fees are expected to decrease by \$374,946 to \$2,896,627. Even with an increase in the rate per ton, the county has begun to notice a decrease in activity at the transfer station due to a slow down in construction; therefore revenues are lower in fiscal year 2008. The utility tax collected and transferred from the General Fund will be \$1,667,210, bringing the total revenue to \$4,563,837. As stated above in the airport fund, due to GASB 34, all capital improvement projects related to the landfill are now budgeted within the landfill fund as opposed to the county CIP fund. For fiscal year 2008, the capital improvements related to the landfill are continued environmental remediation.

**Water and Sewer Fund** - This fund is operated as an enterprise operation, which means that the costs of providing the service are recovered from those who use the services. Anticipated revenues are expected to be \$96,794. Also anticipated is a refund from a developer for an additional water/sewer plant operator position, the refund is anticipated at \$52,762. The balance of the revenue would be transferred from the General Fund to offset operating costs not covered by fees of \$582,798, bring the total revenue for the Water and Sewer Fund to \$732,354. Capital costs in the Water and Sewer Fund are for the Water and Sewer Master Plan and funding for a ground water study.

## **COMPONENT UNIT SCHOOL FUNDS**

State Revenues will provide \$36,915,982 or 54 percent of the school funds for the fiscal year 2007 budget. These revenues are divided into three categories:

**Sales tax** – Includes revenue from a 1 percent portion of the State sales tax returned to localities, designated for public school education. This component of State sales tax is distributed on the basis of a locality's school age population. The fiscal year 2008 estimated amount of sales tax is \$6,344,049.

**Standards of Quality Funds** – These are distributed upon an "equalized" formula that takes into account a locality's ability to pay. This "composite index" is applied to various revenue accounts to ensure an equitable distribution of State funds to all school districts. The State assumes a 50/50 sharing of the costs to fund the Standards of Quality (SOQ). Culpeper's Composite Index is .4062. The State provides 59.38 percent of the estimated SOQ costs with Culpeper County providing 40.62 percent. For each SOQ item, the State has established a per pupil cost for each locality based upon the school district's cost experience and the State's established staffing for the specific initiative. State revenue from the item is established by multiplying the number of students in average daily membership by the per pupil amount, then by the composite index.

**State Categorical Funds** – This funding stream is offered as an offset to specific services provided by the local school district. Funds are provided in direct relation to the cost and level of services provided. The projected other state revenues total \$30,571,933.

**Federal Revenue** -- Amounts in this section of the revenue budget represent the Federal offset of certain specific programs. Some of these programs require a local funding match, while other programs are fully funded (self-sustaining). Most of the self-sustaining programs are mandated or grant initiatives. It is expected that at the end of the year these programs will be cost/revenue neutral. Federal funds will provide \$3,194,738 of the school's estimated revenue.

**Other Revenue** – Revenue in this section is derived from non-government sources. For the most part these funds represent fees for services and specific cost recoveries. Other Revenues will provide \$300,000 of the school's budget.

**Local Revenue** – Includes local funds for regular school operation, including the local share of the State Standards of Quality. Additional local funds are appropriated for debt service and textbook funds. Local revenues will provide \$28,544,867 or 41 percent of the school budget.

**Food Service** - The food service program is funded by fees charged for meals eaten in the cafeteria, and from State and Federal sources. The revenues are projected at \$2,910,244, an increase of \$144,044 over fiscal year 2007.

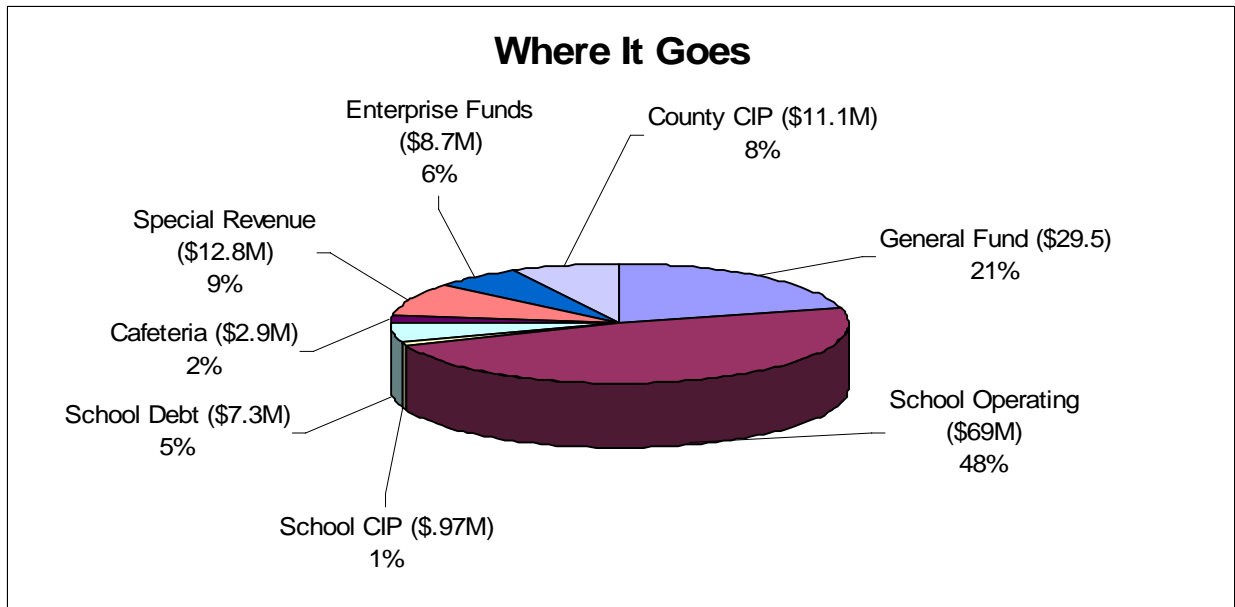
### **TOTAL EXPENDITURES**

The proposed fiscal year 2008 Budget is \$142,267,098 including \$80 million for School expenditures and \$62 million for all other operations. This represents an increase of \$17.8 million, or 14.3 percent increase from the fiscal year 2007 budget.

The County's budget is financed through various types of funds for its operations. Outlined below is a summary of these major expenditure areas:

Major Expenditure Category	FY2008 Annual Budget	Change from FY2007
General Government	\$29,500,384	\$3,260,375
School Operations	79,145,888	5,918,787
Special Revenue	12,841,889	1,139,326
Enterprise Fund	8,700,423	2,118,994
School Capital Fund	970,900	970,900
County Capital Fund	1,107,794	4,388,164
<b>Total</b>	<b>\$142,267,098</b>	<b>\$17,796,546</b>

As the above table shows, \$6,889,687 is the proposed increase for school operations, school debt service, and school CIP. Primarily the increase is in operations, as the School System prepares for the opening of both the new high school and new elementary school in the fall of 2008. The Special Revenue proposed increase of \$1,139,326 and is mostly attributable to the Department of Human Services for increased services. The proposed General Government Operations is increasing by \$3,260,375; much of the increase is attributable to the requests made by the Sheriff's Office for additional manpower required due to growth in the County, as well as the implementation of a new department for Records Management.



## GENERAL GOVERNMENT

In an effort to keep costs as low as possible, the budgets for some of the agencies' requests have been cut.

### Employee Compensation

The Board seeks to maintain a competitive compensation program to attract, retain and motivate qualified employees. During fiscal year 2006, the Board adopted the Palmer and Cay study for employee salaries and benefits performed in 2003. Through fiscal year 2007 efforts were made to bring all employees to the midpoints of their respective positions. The fiscal year 2008 budget includes the second year of an evaluation process whereby employees' raises are based on a 36 month rolling average of the CPI, plus a pay for performance system. The average raise in fiscal year 2008 with the combination of the two part evaluation system is 4.24%.

The proposal described above does not include the School System or the Department of Human Services.

### Employee Health Insurance

Funding has remained level for premiums for the Employee health insurance coverage. The primary reason for this level funding was due to education of employees about health insurance and their actions upon the premiums. Therefore in the fiscal year 2008 budget, premium amounts will decrease about 10% across the board. The premiums for dependent coverage increases are paid by the employees and are not included in the budget.



## **New Positions**

The proposed fiscal year 2008 Budget includes thirteen (13) new full time positions in General Government.

Commissioner Of the Revenue	The Commissioner of the Revenue's office is requesting a new deputy clerk position. This position would be a clerical position in that office and is funded by the State Compensation Board.
Treasurer	The Treasurer's Office is requesting a new deputy clerk position. This position would be a clerical person in that office, assisting with taking of payments made by citizens.
Commonwealth Attorney	The Commonwealth Attorney's Office is requesting an additional assistant attorney. This position would assist with Commonwealth cases in court as well as monitoring offenders in various areas.
Records Mgmt.	This is a new department requested of the Board of Supervisors. Based on the results of a consultant's recommendation, as the county grows, the need to manage its documents and emails continues to grow as well. This department would maintain document storage and destruction for all county offices and Constitutional Offices as well. This request is for 2 positions, a records manager and systems operations position.
E911	The E911 Department is requesting 3 new positions. These positions consist of 2 dispatchers or call takers and 1 training officer to coordinate training of all E911 personnel.
Sheriff's Office	4 new positions: 1 Patrol Lieutenant; 1 road deputy; 1 investigator and 1 Courthouse Security Deputy. As the County continues to grow, the number of traffic incidents and violations continue to grow as well.
Options	A new position is requested by Options as a Counselor position. This position would assist the children in the program and help reduce the amount of outside services that are needed.

## **GENERAL GOVERNMENT ADMINISTRATION**

### **PUBLIC SAFETY**

**Sheriff:** The budget increase is \$656,151 constituting a 8.8 percent increase. Funds are included for vehicles, equipment, clothing, training and supplies for the new staff designated above.

### **SPECIAL REVENUE FUNDS**

The Special Revenue Funds include Piedmont Tech, Human Services Fund, and E-911 Fund. The Proposed Special Revenue Funds total \$12,841,889, which represents an increase of \$1,139,326, or 9.7 percent over the current fiscal year.

**Piedmont Tech Fund** - The budget totals \$353,270. The revenue generated by classroom rental is not sufficient to fund the costs of building maintenance without the County appropriating \$328,270 to fully fund the program.

**Human Services Fund** - The Human Services Department totals \$10,516,194 and is primarily State and federal aid to Social Services programs with matching funds of \$1,292,787 from the County. In addition to the operations of the Social Services Department, this fund also accounts for the operations of the Day Care center, as well as various grants.

The Department has implemented a Strategic Planning Process. The Department plans to improve operational effectiveness by reducing the need for local fund expenditures and increasing Federal/State revenue and reimbursement. In addition, the Department will work toward improving productivity and meeting information needs more efficiently through automated information systems.

The Department will continue its prior partnership with the Chamber of Commerce in providing opportunities to move clients toward self-sufficiency; through increased responsibilities, better paying jobs and specialized training.

The Services Unit will continue to work to ensure that the children and adults of Culpeper County are protected against abuse, neglect and/or exploitation. It will also work diligently to ensure that family units remain intact by promoting family preservation services. The Unit will be reorganized to better serve the community.

The Eligibility Unit will strive to ensure that the citizens' tax dollars are not misspent, while it continues to assist all residents to meet basic financial needs and attain economic security. The Fraud Worker will aggressively investigate and pursue all program violations and strive to increase collections.

The Culpeper Career Resource Center will promote greater community involvement in the work of the Center and plans to increase participation through newspaper articles, newsletters, seminars and meetings.

**E911 Fund** - The budget is \$1,972,425. The revenue generated by the E911 tax is not sufficient to fund the program without the County appropriating \$612,840 and the Town appropriating \$158,256 to fully fund the program.

## **ENTERPRISE FUNDS**

**Airport Operations** - The budget totals \$3,404,052, and includes the debt service for the hangars purchased by the County as well as any capital projects for fiscal year 2008. As stated above, the projects proposed for fiscal year 2008 are the airport terminal facility construction; construction of the terminal landside; and an archeological study.

**Landfill** - The budget recommended for next fiscal year is \$4,563,837. The budget reflects costs for the solid waste transfer, hauling and disposal by our contractor. Also included are funds for hauling services from County solid waste convenience sites. Again, as stated above, the capital improvements related to the landfill is the continued environmental remediation at the landfill.

**Water and Sewer** - The budget totals \$732,354. Included are funds for engineering services, wastewater consulting and capital expenditures related to the water and sewer master plan and funding for a ground water study.

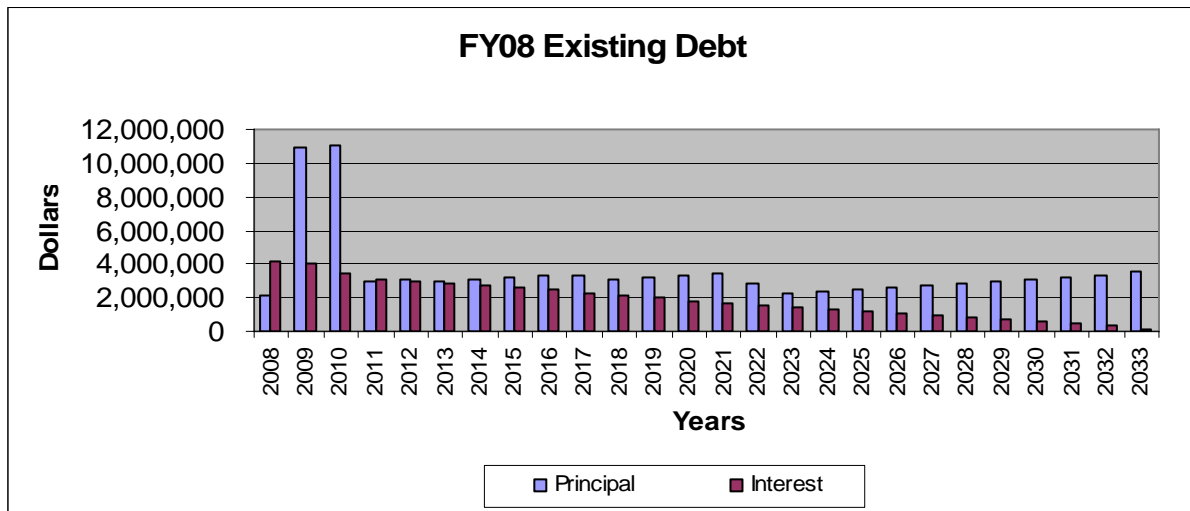
## **COMPONENT UNIT SCHOOL FUNDS**

The contribution to the Culpeper County Public School System, which includes funding for both ongoing operations, CIP and debt service for school facilities, is \$ 36,795,824. This represents 48 percent of the County's proposed General Fund budget, and is a 22 percent increase from the fiscal year 2006 contribution of \$ 32,123,629. The following is a summary of the budget highlights:

- ◆ This budget includes the funding to support the importance of technology in pursuing the school division's mission with children and enhancing our attempts to create and nourish an attitude of excellence in all of our programs.
- ◆ Class size has been an important issue in previous school budgets. This budget reflects a continued commitment to best practice class sizes based upon space available. This budget deals with short-term space arrangements through the lease of mobile classrooms.
- ◆ Opportunities will be provided for teachers to enhance their pay with additional days of employment (Summer Teaching, Extended Day Teaching, Job Shadowing, and Induction/Mentoring Activities). Additional attention will be paid to providing planned tuition assistance in areas of teacher/leadership needs; and master's degrees in assigned field supplements.

## SCHOOL DEBT SERVICE

The total School Debt Service budget for FY2008 is \$7,280,057, which is an increase of \$672,195 from the current fiscal year. The increase is due to the additional debt service due in fiscal year 2008 for the borrowing of interim funding on the new elementary school. Following is a table of existing debt service payments and a “snap-shot” of principal and interest for FY08. It should be noted that the large principal payments in FY09 and FY10, are related to interim financings on both the new high school and new elementary school. It is anticipated that in each of those years, the County will be successful in obtaining Literary Loan funding at lower interest rates through the Virginia Department of Education.



	FY06 Actual	FY07 Adopted	FY08 Proposed
Principal	2,552,107	2,590,678	2,914,204
Interest	2,168,647	4,017,184	4,365,853
Total	<u>4,720,754</u>	<u>6,607,862</u>	<u>7,280,057</u>

## CAPITAL PROJECTS

The proposed fiscal year 2008 budget includes \$970,900 for various school projects, including roofs at 2 of the existing elementary schools; chiller at the existing high school; fire alarms and classroom door replacements.

Included in the proposed fiscal year 2008 budget is \$11,107,794 for General Government Projects. In fiscal year 2008, \$2,500,000 of the county capital projects planned, involve revenue sharing projects with the Virginia Department of Transportation (VDOT) for highway projects. In subsequent years, there will not be any operating costs associated with these capital costs.

Another project included in the General Government projects is \$3,000,000 for the expansion of the current Day Care/Head Start facility to encompass more early childhood classrooms, including preschool. This facility is proposed to start in the fall of 2007 with completion by fall of 2008. The estimated additional operating costs are approximately \$325,000.

A third project for fiscal year 2008 is the renovation of a building recently purchased by the County. This renovation is estimated at \$3,000,000. The estimated start date for renovations will be in the 2007 fall timeframe. This building will be used to house existing county offices, allowing for more room for currently cramped conditions at the Courthouse. The subsequent year operating costs are estimated at approximately \$50,000.

A fourth project in the County's capital improvements fund for fiscal year 2008 is the hardware costs to initiate the Records Management division of IT. The fiscal year 2008 budget includes approximately \$180,000 of operating costs for this department and subsequent budgets will continue to include those operating costs.

The other large project for fiscal year 2008 is a new Jail. This year's budget includes the architectural costs and engineering fees of \$1,500,000. It is estimated the majority of the funding will be needed in FY09 and those costs will be debt funded. In subsequent years the jail will require operating costs from the County. Those costs are estimated at \$ 6.3M.

The balance of items in the county capital projects for fiscal year 2008 is for a large equipment purchase by the IT department; 2 roofs at the Piedmont Tech facility and some park expenses. As the county continues to grow and the demand for county services continues, the utilization of county facilities is increased, as well as the need for additional space. Some of these projects will have a future impact on operating expenditures, in terms of utilities, cleaning and repairs.

The Five Year Capital Improvements Plan, for FY07 – FY11 will be officially adopted by the Board of Supervisors on April 25, 2007. This document process has become more aligned with the budget process, allowing the first year of the CIP to show the exact projects as adopted and appropriated by the Board of Supervisors in the budget process.

## **CHANGES IN FUND BALANCE**

Included in the proposed fiscal year 2008 budget is a decrease in the General Fund balance. This decrease is expected to be \$4,752,182. Primarily the use of the fund balance will be for the local share of capital items. These particular projects, are considered to be "one time only" expenditures, and because of this, we felt accumulated undesignated funds should be used as opposed to raising taxes to cover these expenditures.

## **GFOA DISTINGUISHED BUDGET AWARD**

The Government Finance Officers Association of the United States and Canada (GFOA), a national organization; each year recognizes budgets that meet certain rigorous standards. GFOA presented an Award of Distinguished Budget Presentation to Culpeper County for its annual budget for the fiscal year beginning July 1, 2006. To achieve this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide and as a communications medium. The award is valid for a period of one year only. We believe our current budget continues to conform to program requirements and we are submitting it to GFOA to determine its eligibility for another award.

I would like to thank our staff for their many hours of hard work and their contribution to the development of this budget. The input of the Board of Supervisors in establishing priorities is appreciated.

Sincerely,

Frank Bossio  
County Administrator